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Starbucks Comes to Shanghai

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Report Highlights:

Starbucks recently opened their first of ten proposed outlets in trendsetting Shanghai, following hot on the heels of Beijing, which already has nearly a dozen outlets.

Fashionable Shanghainese packed the coffee shop on its first weekend, hoping to sample some of Starbucks' famous coffee, as well as American-style bakery items, salads, sandwiches, and even bagels.

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Unscheduled Report
Shanghai ATO [CH2], CH

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Below is an article published in the local "Shanghai Daily" newspaper on the opening of Shanghai's first Starbucks café.

Starbucks Sells 1st Cup of Joe in its New Café

Ling Yuntao, Shanghai Daily

Friday, May 5, 2000

STARBUCKS, the world's largest specialty coffee retailer, brewed its first cup in Shanghai yesterday as the company tries to transplant the Seattle coffee culture to the land of tea.

Starbucks International's newest outlet is on Huaihai Road, the city's most-stylish shopping street. It is the first of 10 Starbucks locations planned for this year in the city.

The company also opened its first store in Hong Kong this week.

"Our goal here is not to replace tea but to offer the unique experience of enjoying Starbucks coffee in our stores," said Howard Schultz, company chairman and chief global strategist.

Starbucks now operates 3,000 coffee shops worldwide, including around a dozen in Beijing. In Japan alone, there are more than 100 shops, where "business is overwhelming," according to the chairman.

Last year, Starbucks' worldwide revenues hit US\$1.7 billion, brewing up US\$100 million in profits.

There is competition everywhere in the world, but the quality and taste we offer is unique," said Schultz.

The coffee giant plans to open 500 shops in Asia and Europe by 2003, Peter Maslen, Starbucks' president, told Shanghai Daily.

Average investment in each outlet is estimated to the US\$300,000.

Malsen said it will take three years to break even in the Shanghai market.

Sniffing out the competition, Starbucks believes its prices will be attractive to coffee lovers.

A cup of Starbucks' special coffee will average about 22 yuan (US\$2.65) in Shanghai, but a basic black will go for as low as 9 yuan.

Other speciality coffee shops in the city charge an average 25 yuan for a cup of similar quality.

“ We offer good coffee here; at the same time we offer good value,” Schultz said. “ Among the 10 million customers visiting Starbucks worldwide every week, most are repeat customers. We have a long-term view here.”

Its colorful modernistic decor drew a large crowd when it opened at mid-day in Lippo Plaza, at 222 Huaihai M Road. Coffee beans and coffee cups are also available in the shop.

Starbucks’ two local partners are Shanghai President Coffee Corp, an offshoot of Taiwan’s President Group, and Shanghai Tobacco Group Luwan Tobacco Sugar & Wine Co. Ltd.